



January 3, 2002

Ms. Gloria Blue  
Executive Secretary  
Trade Policy Staff Committee  
Office of U.S. Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20508

Dear Ms. Blue:

Steelscape, Inc., a West Coast steelmill, submits the following comments under section 203 of the Trade Act of 1974. Steelscape produces approximately 450,000 tons per year of corrosion-resistant and pre-painted steel primarily for the West Coast construction market. We employ over 400 people at two manufacturing locations, one in Rancho Cucamonga, California, and one in Kalama, Washington. Our flat-rolled steel mills are world-class facilities completed in 1998 at an investment of over \$300 million. Our Kalama facility was specifically located on the Columbia River to receive hot roll coil, our raw material, via low-cost ocean vessel from our parent company, BHP Steel of Australia. While BHP no longer owns our company, we continue to receive a majority of our hot roll coil from Australia and supplement the balance of our requirements from both domestic mills and imports.

There are three other flat-roll steel producers located on the West Coast: California Steel Industries; USS-POSCO Industries; and MSC Pinole Point Steel. The West Coast construction market is served primarily by the local mills, imports, and to some extent Midwest steel mills. It is essential for Steelscape and the other West Coast steel mills to maintain a consistent supply of imported raw material for feedstock. Whether the feedstock is slab, hot roll coil, or cold roll coil, domestic mills from the Midwest are not able to consistently meet the feedstock needs of the West Coast. Transportation costs, the steel mills' preference to sell value-added products, and an undesirable hot roll product mix required for the light gauge construction market are all impediments to Midwest mills supporting West Coast feedstock needs. While the Midwest mills have the process capability to meet the needs, business fundamentals of supplying low-value feedstock to competitors in their outer market do not support a viable business case. No

trade remedy, industry restructuring, or multi-lateral global agreements will change this fact.

Steelscape does support a balanced and comprehensive package of import and policy measures to strengthen the U.S. steel industry. We recognize that import relief is required while domestic restructuring can take place. We also recognize the need for multi-lateral agreements to be reached and implemented to balance global steel demand with supply.

However, we do not agree with the majority ruling by the U.S. International Trade Commission on their remedy recommendation for the following reasons:

1. Tariffs on all flat roll products would indiscriminately punish all steel exporters, including those who have been responsible suppliers of feedstock to West Coast steel mills.
2. Given the widespread international opposition to tariffs, a tariff remedy would impede multi-lateral cooperation within the OECD and any possible agreement on a comprehensive plan of global trade rules.
3. Some heavily subsidized foreign mills may continue to sell product into U.S. markets at whatever tariff is applied.
4. Excluding slabs (used as feedstock by California Steel Industries) from tariffs; while applying tariffs to hot roll coil (used as feedstock by USS Posco Industries and Steelscape) and cold roll full hard, (used as feedstock by Pinole Point Steel) would severely disrupt the competitive balance of the West Coast steel mills.
5. Given the choice, Midwest steel mills have historically, and would continue to, select to ship value-added finished product to the West Coast rather than hot roll coil to their competition. This scenario would soon lead to a short supply of competitively priced feedstock and eventually result in the demise of the West Coast steel industry.

Given these predictable consequences if a tariff remedy is applied, Steelscape recommends an alternative remedy of tariff rate quotas. We believe a TRQ remedy will give the domestic industry the relief it needs to restructure, build the cooperative spirit required to reach global trade agreements, and will ensure the long term viability of the West Coast steel industry. The following remedy proposal is offered for your review:

### **REMEDY PROPOSAL**

- A country-specific tariff rate quota based on 1999-2001 imports with over-quota shipments subject to a ten percent (10%) tariff. This would (1) protect the U.S. industry, and (2) encourage adjustment in the United States and overseas.

- This would be the least distorting option because it respects actual patterns of trade.
- A 1999-2001 base period will protect the U.S. industry from harm.
- Unless tariff rate quotas are country-specific it will benefit exporters that are most aggressive on price and least willing to reduce their capacity.

- As an alternative, extend the tariff rate quota recommended by the ITC majority for slab to all feedstock.
  - Make sure that the TRQ feedstock product definitions are tight enough to prevent “circumvention” by importers.
  - Make sure that the tariff rate quota allocations for feedstock are country-specific, using a 1999-2001 base period.
  - Such quotas would (1) discourage the lowest-priced imports from flooding the U.S. market, and (2) discourage foreign producers from creating a “feedstock” loophole in the section 201 relief.
  - Include a short-supply mechanism to take care of unforeseen supply and other problems.

Steelscape appreciates the opportunity to comment on this issue that is of paramount importance to our business and the viability of all West Coast steel mills. If you have any questions regarding the information provided here or seek clarification of our concerns or recommendations, please do not hesitate to contact me by telephone or email at [patrick.finan@steelscape-inc.com](mailto:patrick.finan@steelscape-inc.com).

Respectfully Submitted,  
STEELSCAPE, INC.

Patrick J. Finan  
President